

Your HSA Benefits

TOWERbank

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Your Health Savings Account (HSA) works exclusively with the State of Indiana High Deductible Health Plan. Below is a summary of HSA Tower Bank benefits.

Bank Account Features	2006 Description/Coverage
State of Indiana Deposits	State of Indiana will deposit \$1,500 for single coverage, \$3,000 for family coverage. Deposits will be pro-rated over 26 pay periods and are automated through payroll directly to employee's Tower Bank account.
Employee Deposits	Optional. Employee may deposit up to an additional \$1,000 for single plans, and up to \$2,000 for family plans using <u>Pre-Tax</u> dollars. Funds will be pro-rated over 26 pay periods and are automated through payroll directly to employee's Tower Bank account.
Maximum Annual Deposits	The maximum that may be deposited for a calendar year between the employer and employee is equal to the amount of the plan's deductible. For the State of Indiana employees that figure is \$2,500 single, \$5,000 family.
Maximum Annual Deposits for those 55 or older on 1/1/06, or who turn 55 during 2006	A "catch-up" contribution of \$700 is permitted for each person in this category. For a single, this increases the maximum contribution level to \$3,200; for a family, total contributions cannot exceed \$5,000 plus \$700 for each person who qualifies in this category for the calendar year.
Minimum Opening Balance	Waived for State of Indiana employees
Service Charge	\$1.75 monthly (a discount of \$2.00 monthly)
Bank Statement	Mailed monthly with front and back of paid check images
24/7 Automated Telephone Banking	No charge, toll-free number. Available to check account balance, status of paid checks and debit card transactions
Online Banking	No charge. View account activity and balances, view front and back of paid check images
Interest	\$0-\$999, 0.00% APY \$1,000-\$9,999, 1.50% APY \$10,000-\$24,999, 1.75% APY \$25,000-\$74,999, 1.90% APY \$75,000+, \$2.05% APY Variable rate based on balances. Rates can change daily.
Debit Cards (no ATM access)	Free. No per transaction fees. Visa® Network. Accepted by most medical providers and pharmacies.
Check Printing Fees	\$7.25 per order of 50. First order, non-duplicate checks. Fee charged to the account and withdrawn from first deposit.

Authorized Signer	A second signer can be authorized to write checks and be issued a debit card. There is no charge for this expanded service.
Brokerage Services for accumulated Health Savings Account funds	Available. Ask a banker for details. NOT FDIC INSURED. MAY LOSE VALUE.
Miscellaneous Fees	Per bank fee schedule. As with other checking accounts, overdraft, stop pay and other miscellaneous fees apply.
Funds after age 65	At age 65, funds in your HSA, including any accumulated interest, can be used tax-free to pay qualified medical expenses. If you elect to withdraw these funds for other purposes, you would claim the amount as taxable income in the same calendar year. There is no IRS penalty for withdrawing HSA funds after age 65. Under age 65, the penalty for unauthorized use of HSA funds is 10% plus regular income tax.
Account Closing	This account can stay with you for life regardless of your employment status. If for some reason the account is no longer needed, there is a \$20.00 fee to close the account and process transfer to new custodian. This fee is waived if the closing is due to death of principle owner.
Answers to Your HSA Questions	Contact your area Benefit Coordinator Or, Contact Tower Bank by phone, fax, or e-mail: Toll Free, 1-888-427-7220; by Fax, 1-260-427-7186; by E-mail using "State of IN employee" in subject line, Customer.care@towerbank.net
FDIC Insurance Coverage	Member FDIC. Deposits are insured to the maximum available by Federal law.
Confidentiality	This bank account is in your name and your rights and privacy are protected by law. Tower Bank does not sell client information. To read Tower Bank's Privacy Policy, visit our website www.towerbank.net or contact Customer Care for a printed copy.
Tracking of Medical Expenses	Tower Bank does not track your medical expenses. Please retain receipts for every medical expense. Review and retain monthly bank statements and check images. Review and file EOBs (Explanation of Benefits) with associated receipts. Retain Medical Provider invoices. Retain records for seven years as this information is supporting evidence should you be audited by the IRS.
IRS Reporting (Year-end 1099 SA, April 15, 5498 SA)	Tower Bank will report the employer and employee contributions and distributions to the IRS as required by law. Any unauthorized distributions are subject to IRS penalties and regular income tax.
Tax Advice	Tower Bank does not sell insurance or give advice on insurance plan coverage. Consult your tax advisor for details.
Beneficiary	Every account will require a beneficiary designation.

2006 Medical Expense Planning Worksheet

Single Coverage

The State of Indiana will deposit \$1,500 to an HSA for Single coverage employees. An additional sum of \$1,000 (maximum) may be deposited by the employee to cover expenses up to the \$2,500 single deductible.

Family Coverage

The State of Indiana will deposit \$3,000 to an HSA for Family coverage employees. An additional sum of \$2,000 (maximum) may be deposited by the employee to cover expenses up to the \$5,000 family deductible.

Plan your 2006 HSA contribution up to the maximum allowed by using the following worksheet. (Refer to the High Deductible Health Plan Summary of Benefits for a full listing of Network/Non-network discounts and to the summary IRS Section 213D list on the reverse side of this document.)

_____ Office visit expenses
_____ Prescription Drug (RX)
_____ Medical procedures
_____ Lab expenses
_____ Other deductible portion of medial expenses

Plus, IRS list (Section 213D) of eligible expenses including:

_____ Dental expenses not covered by insurance
_____ Vision expenses not covered by insurance
_____ Over-the-counter medications
_____ Mileage (Federal rate) to and from doctors' appointments
_____ Vision correction surgery
_____ Vision care (contacts, lens cleaner, eye glasses, visits, etc.)
_____ Orthodontia
_____ Other (from approved IRS list)

_____ ***Subtotal***

_____ **Minus \$1,500 single, \$3,000 family** (State of Indiana deposit to your HSA)

_____ **Total* anticipated 2006 expenses** (not to exceed \$1,000 single, \$2,000 family)
This total is the amount you can have deducted from payroll on a pre-tax basis over the year to deposit to your HSA. These funds pay for healthcare-related expenses. Any unused funds remain in the account to pay for future medical expenses. You may change the amount you contribute annually, or per State of Indiana guidelines.

*Add \$700 for each person who qualifies for the age 55 catch-up provision.

Section 213D of the IRS Code provides a list of tax deductible expenses that your insurance provider may not cover. The list provided on the reverse side is intended to serve as a quick reference and is provided with the understanding that Tower Bank is not engaged in rendering tax advice. For more detailed information, please refer to IRS Publication 502 titled "Medical and Dental Expenses," Catalog Number 15002Q. Publications can be ordered from the IRS by calling 1-800-TAX-FORM (829-3676), or viewed, printed or downloaded in PDF format. If tax advice is required, seek the services of a CPA.

Eligible Expenses.

Eligible medical expenses are defined as those expenses paid for care as described in Sections 213 (d) of the Internal Revenue Code. Below are two lists (Reimbursable Medical Expenses and Non-Reimbursable Medical Expenses) which may help determine whether an expense is eligible for HSA reimbursement. The lists are intended to serve as a quick reference and are provided with the understanding that Tower Bank is not engaged in rendering tax advice. For more detailed information, please refer to IRS Publication 502 titled "Medical and Dental Expenses," Catalog Number 15002Q. Publications can be ordered from the IRS by calling 1-800-TAX-FORM (829-3676), or viewed, printed or downloaded in PDF format. If tax advice is required, seek the services of a CPA.

Reimbursable Medical Expenses:

- Abdominal supports
- Abortion
- Acupuncture
- Air conditioner (when necessary for relief from an allergy or for relief from difficulty breathing)
- Alcoholism treatment
- Ambulance
- Anesthetist
- Arch supports
- Artificial limbs
- Autoette (when used for relief of sickness/disability)
- Birth control pills
- Blood tests
- Blood transfusions
- Braces
- Cardiographs
- Chiropractor
- Christian Science practitioner
- Contact lenses
- Contraceptive devices (prescription)
- Convalescent home (for medical treatment only)
- Crutches
- Dental treatment
- Dental X-rays
- Dentures
- Dermatologist
- Diagnostic fees
- Diathermy
- Drug addiction therapy
- Drugs (prescription)
- Elastic hosiery (prescription)
- Eyeglasses
- Fees paid to health institute prescribed by a doctor

Reimbursable Medical Expenses continued:

- FICA and FUTA tax paid for medical care service
- Fluoridation unit
- Guide dog
- Gum treatment
- Gynecologist
- Healing services
- Hearing aids and batteries
- Hospital bills
- Hydrotherapy
- Insulin treatments
- Lab tests
- Lead paint removal
- Legal fees
- Lodging (away from home for outpatient care)
- Metabolism tests
- Neurologist
- Nursing (including board and meals)
- Obstetrician
- Operating room costs
- Ophthalmologist
- Optician
- Optometrist
- Oral surgery
- Organ transplant (including donor's expenses)
- Orthopedic shoes
- Psychiatric care
- Psychoanalysis
- Psychologist
- Special education
- Sterilization
- Stop-smoking programs
- Telephone
- Therapy
- Transplants
- Transportation
- Trips
- Tuition
- Vasectomy
- Vision correction surgery
- Weight loss program
- Wheelchair
- Wig
- X-ray